3: Roberts S-4 (no date)1951 EDl Rumania EDl



652 should be obtained not through investments but through loans under-
665 taken by the state. In this way Rumania would have full control over the allocation of capital and would not, except for the interest on loans, see the profits from the oil industry go abroad. The petroleum policy of the National Peasants, as formulated in 1929, was even more removed from Stere's recommendations than from the Liberals' policy. It was, however, perfectly consistent with their economic outlook during their term in office.

665 Rumanian transportation and communications had been in no-
652 toriously bad condition since the First World War, and the Liberals'
496 policy of retrenchment had been particularly damaging to the rail-
464 way system. The 1929 stabilization loan allocated $34,000,000 for
● 471 railway expansion and $9,000,000 to pay off overdue railway debts.
491 By a law passed in July, 1929, the National Peasants transferred the
206 state railways to an autonomous public body, "to be administered according to commercial principles." [62] They also undertook to repair and extend the highway network, and abolished the primitive *corvée* which was still being used for road maintenance. In 1930 the International Telephone and Telegraph Corporation received a concession for the construction of the Rumanian telephone network.

665 The stabilization loan required a reform of the National Bank and of the state accounting system. In March, 1929, the government passed a series of new statutes for the bank; the principal changes were the abolition of the ceiling on the issue of currency, established by the Liberals' in 1925, and the limitation of the influence of the state in the appointment of directors. The bank was given somewhat greater independence from state control and powers to maintain the newly achieved stability of the currency. In July, 1929, the government passed a law reforming the state accounting system and the organization of the budget. There was no doubt that Rumanian state finances needed reform and modernization. The accounting system had been that of France of 1860, plus the accretion of a number of purely Rumanian practices, with the result that the actual condition of government finances at any given time was never known with any exactness. The new law, in reorganizing the preparation of the budget, exerted more stringent control over the expenditures of various ministries. While this law was well intended, its actual results in rationalizing Rumanian finance methods seem to have been very

62. Madgearu, *Rumania's New Economic Policy*, p. 50. The organization of Rumanian railways after 1918 had been altogether hectic. In 1925 the Liberals had given some autonomy to the railways; this policy was reversed by the People's party in February, 1927, and reestablished by the Liberals in August of that year.

3: Roberts S-4 (no date)1951 EDI Rumania EDI



manian industries, especially secondary industries. Both Russia and Rumania, however, are still industrializing economies and there seems to be little evidence, in the Rumanian case at least, of a desire to check the industrialization of the latter.[31]

The turning point in the economic policy of the immediate postwar period was the stabilization of the currency in August, 1947, which more or less liquidated the old financial structure and served as a vast economic leveler. On the fifteenth of that month, the leu was devalued (to 150 to the dollar) and the old money was ordered to be exchanged immediately at the rate of one new leu for 20,000 old lei. Peasants were limited to exchanging 5,000,000 lei; workers to 3,000,000; and other persons to 1,500,000. That is, at the official new rate, peasants could receive in exchange $1.67, workers $1.00, and others $0.50. Gold and foreign currency were entitled to full value but had to be declared under penalty of life imprisonment. This drastic measure, which came at a time of continued commodity shortages, inevitably caused widespread hardship. There were numerous reports of resistance by the peasants who felt as usual that they were being sacrificed to the benefit of the towns. The government hurled many charges of speculation and exchange violation, and part of the brutal behavior of the regime in the course of 1947 is to be associated with, if not explained by, this Draconian financial reorganization.[32]

Along with the tightening of political control the Groza government now entered a new phase of economic policy marked by the progressive nationalization of industry, collectivization of agriculture, and the beginning of economic plans. In 1947 pressure against private industry consisted primarily in assuming control over certain specific enterprises, supervising industrial activity, and making accusations of sabotage against foreign-owned concerns. At the beginning of 1948 Gheorghiu-Dej launched a general attack on private capital, which dominated industry, banking, and insurance: "Our democratic regime has been very patient with private enterprise, but private owners do not make capital investment, nor do they renew equipment. They transfer capital abroad and openly sabotage reconstruction." In January the concession of the Rumanian match monopoly to the Swedish firm (this concession had been granted at the time of the stabilization loan of 1929) was declared invalid and

31. See also below, pp. 327–329.

32. A defense of the stabilization, written by the National Bank, is published as "La Réforme monétaire en Roumanie, 15 août 1947," in *Les Archives internationales*, Doc. 564.

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annulled. In the following months government administrators were appointed to supervise the British and American-owned oil companies, which action, in effect, put these firms in a state of forcible dissolution. The Rumanian industrialist, Nicolae Malaxa, who had made great efforts to accommodate himself to the Russians and the Groza regime, was unable to ride this new wave and his factories, the most important in the country, were also taken over. While, as has been seen, the Rumanian government has always worked in close conjunction with Rumanian industry—fostering desirable undertakings and even setting up state-owned enterprises—this new advance was under quite different auspices and had a far more ambitious intent.

The decisive step came in June, 1948, with a bill providing for the nationalization of all industrial, mining, banking, insurance, and transport concerns. The law at the outset affected some 1,068 enterprises, including 132 heavy industries, 20 coal mines, 25 oil and natural gas companies, 56 building material companies, 163 textile factories, 15 insurance companies, and 4 shipping concerns. While the law did not, in theory, deny compensation, it was to be based on profits, its amount was to be determined by a government commission, it was to be paid in state bonds, and would not be given to persons who "have enriched themselves illegally or left the country illegally." The motives given for the bill were largely political: the new situation demanded changes in the national economy; the bourgeoisie, which had been disarmed politically, must not be permitted to retain its potent economic weapons.

In November all privately owned health institutions, hospitals, sanatoria, and the film industry were nationalized. In April, 1949, the state took over a new batch of private companies, pharmacies, laboratories, drug and cosmetic factories. Thus, by the end of the year, a significant and certainly decisive sector of the economy was directly controlled and managed by the state.

The switch in agrarian policy came at a somewhat later date, though in 1946 and 1947 one finds mounting criticism of the predatory activity of the rich peasants and the sabotage committed by estate owners on the land remaining to them. A foreshadowing of a change in eastern European agriculture was given in a Russian broadcast of February 9, 1948, to Soviet farmers: "Today the governments of the new democracies know that the present small peasant holdings are not a paying proposition and that the peasants' road to wealth lies in co-operation and the uniting of small holdings into large collective estates. . . . The movement for setting up co-operative agri-

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# FARMING AROUND CURTEA DE ARGEŞ

AMY R. BURGESS

133 IN THE region of Curtea de Argeş the river flows in a valley of varying width, floored with fine sandy alluvium and bounded by somewhat rounded hills. Some traces of river terraces are discernible.

THE LAND of this region can be divided into four categories: (*a*) arable, (*b*) hay meadows, (*c*) forest, (*d*) high mountain pasture. The arable land is principally on the first terrace, but stretches both down the slope to the valley bottom and up the slope to the second terrace. The hay meadows are above the arable land, spreading upwards towards the [137] forest. The forests comprise 75 per cent of the total area, and consist mainly of timber trees, such as beech and pine, together with a considerable number of walnut trees. The high pastures are above the forest belt and may be as much as fifty kilometres away from the village centre of the commune to which they belong.

423 THE ARABLE land is owned by the peasants, holdings ranging from less than one hectare to fifty hectares, the majority being from two to five hectares. The smallness of the holding [428] is due partly to the laws of inheritance, by which the land is divided between the children on the death of the owner, and partly to the fact that the district is so hilly that only small areas are available for cultivation.

241 476 THE HAY meadows belong to the commune and are both worked and used collectively by the peasants, all necessary organization being in the hands of the mayor and committee.

471 [313] THE FORESTS are largely state-owned, although some portions belong to the commune, in which case the peasants are allowed to cut for their own personal use (house-building, implements, etc.), but not for profit.

[233] THE HIGH pastures belong to the commune; the peasants pay a small fee to the commune for their use (20 lei per head per season for sheep, rather more for cattle).

132 AN IMPORTANT climatic feature affecting agriculture is the shortness of the summer, late spring and early autumn frosts

dependent for the working out of its economy, as for its setting, upon the high Southern Carpathians.

While in some parts of Roumania all the sheep must be moved to distant highlands in summer, there are many regions which have sufficient local pasture to keep a certain proportion of stock through the year. This applies to the country around Curtea de Argeş; here the late Tertiary (Pliocene) deposits are provided with frequent terraces. The lower terraces are glacial and may be three in number; higher up the dip-slopes of the coarse sands have often been cleared of the bad forests which still cling to the scarps, while at all levels slips have occurred in the loose materials to produce small mesa-like areas, sparsely covered with grass, juniper and birch, accessible to nimble sheep and goats.* In general, however, such local pasturage is reserved for cows in milk, while young cattle and bullocks, if not required for the many activities of farming and forestry, are sent with the sheep to the high pastures.

We may best examine some of the features of this transhumance by following the sheep in their movements through the year in the valley of the Argeş and its background of high mountains, the Fagaras, extending eastwards from the valley of the Olt. The commune of Corbeni, some seventeen kilometres upstream, provides us with a few figures. Here is the first widening of the Argeş Valley, for the river has left the last range of the Carpathians (1,500 m.) through which it cuts one of the great gorges which characterize this zone, and it is here entering on its braided course through the Miocene and Pliocene deposits to the south. The proportion of forested land in the commune is high (75 per cent), and its 2,500 sheep can be maintained only by extensive transhumance. The summer pastures are from thirty to fifty kilometres distant, the stâne† extending from the forest's upper limit (1,500-1,600 m.) to the scarred rock faces of the high core at 2,000 m. Each commune has its stână, which takes its name from the mountain on which it is situated: it is the property of the commune, but there are certain payments to be made each year for the services of

*Goats tend to be kept only by the poorer peasants; they are naturally not encouraged by the Forestry authorities.

†Stână (singular). The word is applied as here to the summer pastures and also to the huts where the shepherds sleep and make the store the cheese. By extension it is sometimes used for the general economy of transhumant shepherding.

471 the shepherds and cheese-maker. These dues, amounting to
233 some 10 or 20 lei per sheep, are worked out each year by a committee which regulates the financial side of the transhumant economy.

234 EACH STÂNĂ has its baciu or cheese-maker, who is paid by
233 the commune. In some districts this scheme is varied by
471 arrangements which must represent modifications of the old economy of collective shepherding. Occasionally a large farmer may be proprietor of a stână and may possess enough sheep to run his own pasturing, in which case he may either hire a cheese-maker or fill that rôle in person. Or he may let his stână to the highest bidder, who pays in cheese obtained from the flock. From this it is a short step to the emergence of the middleman who, possessing no sheep himself, rents a pasture and guarantees to return an agreed quantity of cheese per sheep to those who send him their stock.

233 BEGINNING OUR account with the descent from the mountains,
221 we find that the uppermost pastures are abandoned by the last day of August, and the return downhill takes place during the first fortnight in September, being normally completed by September 14th (The Feast of the Cross). The sheep are driven to the local pastures until the maize crop is gathered, when they are penned on the stubble. Movement uphill begins about the middle of April and is completed by May 1st in an average year, St. George's Day (April 23rd) being a central date. Each peasant is responsible for driving his own sheep, using recognized tracks which tend to follow the watersheds. The sheep thus avoid the deep valley-crossings and can avail themselves of occasional natural clearings for temporary halts in a journey which may last a week. These are points of some importance in connection with the study of ridgeway roads generally.

342 THE SHEPHERD'S hut is a log-cabin erected on a single foundation-course of boulders. It is roofed with shingles or long planks; the gable is boarded above the level of the eaves, and a gap at the apex serves in place of chimney. Scarcely any metal is used in the construction of these summer dwellings, which serve as dairies and storehouses in addition to providing shelter and sleeping-places for the shepherds.
000 The furniture is of the simplest, but much ingenuity is

1 [for explanation see footnote 50 p. 49, cat. 116 -- Analyst]

652 quate means at their disposal they yet succeeded in achieving a certain measure of success, and notwithstanding the tremendous difficulties with which they had to cope. Some of the issues demanding attention were the reorganization of the administrative machinery in the newly-annexed territories, the complete overhauling of means of communication, the readjustment of agriculture, the reconstruction of the oil industry, which had greatly suffered during the war, and the necessity of providing for the needs of the army owing to the exposed geographical position of the country.

## RUMANIA'S ECONOMIC POLICY

186 454 Until the advent to power in 1928 of the National Peasant Party under M. Maniu, the policy of the country was inspired by an uncompromising nationalism that tended to the complete exclusion of foreign capital so necessary for the development of Rumania. The chief instigators of this policy were the late brothers John and Vintila Bratianu, who had raised the maxim "prin noi însine" (by ourselves alone) to the sanctity of a religious dogma. The governments that had succeeded each other since the conclusion of the war, with the exception of the one presided over by M. Vaida-Voevod, were either formed by the Bratianu, or so-called Liberal Party, or by some nominees of theirs who were quite amenable to their views, so that a certain sequence in the policy pursued may be detected throughout this period, in spite of the change of persons at the helm of the State, while any divergence in their pronouncements from the original programme may be explained by the desire to allay the mistrust engendered by the Bratianu policy. The principal aim of this policy was the attainment of self-sufficiency through the industrialization of the country. This found expression in extensive legislation dealing with the development of national resources, the chief enactment being the special mining law promulgated in July, 1924.

382 471 315 The subsoil resources had already been declared national property, and the special mining law, which was aimed par-

ticularly at the oil industry, prescribed the manner in which they were to be exploited. The development of these resources was to be entrusted to corporations or "régies" in which the Government as well as private capital, both Rumanian and foreign, would participate, but in such a way as to permit of the majority of shares being controlled by the Rumanian Government. At the same time laws were enacted for increasing the utilization of methane gas (C.H.4) which was already in use both for lighting and heating purposes in Transylvania, and which is available as a large source of industrial power, its output being calculated to amount to as much as 2,000 million cubic metres per annum, the consumption of which for 1930 reached over 503 million c. metres. The methods used by the Liberal Party to secure a mainhold of the supplies of methane gas are particularly illuminating of the mentality of the leaders of that party, as they were revealed by M. Madgearu in the Rumanian Chamber in 1929. An exclusive monopoly was conferred on a group of "Liberals," who supplied the gas to industrialists at arbitrary prices so as to force the latter out of the market and leave this to rival firms belonging to adepts of the "Liberal" Party. All the efforts of the Liberal Party to promote the nationalization of this gas were aimed at securing the economic mastery of Transylvanian industries. A similar law was also passed dealing with water power, the reserves of which are estimated at 5,206,225 H.P., of which amount 735,425 h.p. represent 50 per cent of the force produced at the Iron Gates by the Danube, 1,422,465 h.p. by the tributaries of the Theiss, 2,164,748 h.p. by the Danube tributaries between the Timish and the Sereth, and the remaining 884,665 h.p. by the Sereth and its tributaries. Of all this potential force only about 52,000 h.p. is actually in use. The State owned practically the totality of the railway lines, most of the extensive fisheries in the marshes and delta of the Danube, the salt mines of Ocnele Mari, Slanic, Uioara and Targu Ocna, which are exploited as a State monopoly and assure to it a revenue of some 700 million lei per annum, over 75 per cent of the entire vast timberlands, several coal and iron mines, the gold mines in the Bihor mountains, the annual output of which is about 2,500 to 3,000 kilogrammes

1 July, 1924--Ana yst

maritime and fluvial shipping companies, the docks, ports, warehouses, and grain elevators of Braila, Galatz, and Constantsa.

Laws were drafted aiming at the commercialization and exploitation, either independently or in co-operation with the State, of these State-owned properties, as well as of other national resources. But the purpose which actuated the entire economic legislation enacted by the Bratianu Governments was that of preventing foreign capital from acquiring a dominant position in the country. This policy of restraining the activities of foreign capital by legal restrictions was not due to the fact that Rumania might be imperilled by foreign capital securing a preponderating influence, but mainly because the Bratianu party aimed at reserving for themselves the monopoly of such profits as could be made through the exploitation of the national resources. The direct result of this policy was to sink whatever Rumanian capital existed in big enterprises, while agriculture was entirely neglected, and to deplete completely the liquid assets of the country to such an extent that its credit organization was dislocated.

It is sad to record that during the years when there was a plethora of capital seeking investment which could have been easily attracted to Rumania with the object of endowing her with an adequate equipment for the development of her immense resources, such narrow and selfish views should have prevailed among her rulers. Indeed, had the opposite policy been adopted it would have secured prosperity to her even during the lean years which are now upon us. Foreign capital naturally fought shy, and refused to be enticed into enterprises in which it was not allowed to exercise legitimate control, which in many instances would have proved both salutary and indispensable. Rumania's natural wealth certainly provides a basis for industrial activity, there is an abundance of raw material, fuel, as well as a supply of cheap labour, but there is a serious deficiency of capital, which is reflected by the high rates of interest prevalent. Commercial bills were discounted at rates varying between 18 per cent and 30 per cent, and first mortgages were concluded on the basis of an average interest of 20 per

for reasons easily understood, is incapable of competing against her northern neighbour. Having to face likewise in the grain trade the formidable competition of the trans-oceanic countries which have industrialized their agricultural production, Rumania finds herself to-day in a most unenviable position, which explains why she is so desperately anxious to conclude preferential agreements with European industrial countries, so that she may have the possibility of disposing of her products at better prices than those at which similar Russian goods are being offered.

In order to market the 1931 harvest the Rumanian Government was obliged to grant a subsidy of 1,000 lei per ton of cereals exported, but after paying about one milliard lei in subsidies, it found that the system constituted too great a strain on its resources and the subsidy was suddenly suspended, many exporters not even receiving their due. The real ratio of exchange between raw materials and manufactured articles, which has lately shifted so markedly in favour of the latter, is another powerful factor which, added to her difficulties in exporting her produce, is making for the industrialization of Rumania.

As this policy of industrialization, which has been followed since the conclusion of the war, has not given the expected results, its continued pursuit and intensification can only be persisted in through State intervention, which is also growingly exerted in organizing the exports. Control of exchanges, the clearing system, quotas, and inter-state barter are all gradual stages leading to the ultimate elimination of individual initiative in commercial intercourse and its substitution by collectivist methods. From this stage to the adoption of integral communism is an easy transition, and in view of the close proximity of the Russian example no surprise should be shown if it be imitated not only by Rumania, but by other Near Eastern States, if no other way of escape out of their present difficulties be offered them. The prospect of these States adopting Bolshevism is quite within the domain of possibilities, and this can hardly constitute a very reassuring portent for our Western democracies.

The visit of Ismet Pasha to Moscow in April, 1932, for the purpose of seeing at close quarters how the Communist

## RUMANIA

000 Though the obstacles may seem insuperable, yet actual suffering must have rendered the agrarian States more amenable to reason, so that one may hope with some confidence that they will not spurn a helping hand. To the layman it would appear to be more rational to go to the assistance of over 50,000,000 of potential customers, inhabiting the five mainly agrarian States of South-Eastern Europe, than to dissipate our energy and resources in the attempt to buttress up Germany.[1]

We may as well face the plain truth that in present-day Europe there is no longer room for two mainly industrial States living solely by exports, and that to make this possible it would be indispensable to scrap all protected industries in Europe and institute universal free trade. As this cannot be accomplished, we would act wisely if we abandoned the present task of salvaging Germany. Patronizing has not been a very propitious policy to us. Our friendship for the Japanese has resulted in our loss of the Chinese market and in the emergence of a most formidable rival to our Lancashire cotton industry, and our present quixotic attitude towards Germany, were it to succeed, would bring in its train even greater difficulties.

433 471 The policy of industrialization was adopted by Rumania after the war, when her frontiers had been sufficiently enlarged to provide an apparently large local market. During the pre-war years Rumania used to import from abroad some 85 per cent of the industrial articles she required, and such industries as she possessed were principally those the raw materials of which were locally provided, namely the milling, brewing, sugar-beet, and lumber industries. In 1913 there were only about 45,000 workmen employed in these occupations, and the total capital invested amounted to about 750 million lei. The acquisition of Transylvania and the Banat (where, owing to the presence of minerals and coal, an industry had developed) increased considerably the number of industrial enterprises in Rumania and led to similar industries being set up in the old kingdom

[1] This was the pet scheme of our bankers, owing to which we were forced to go off the gold standard. (See an article by J. A. Hobson in the "Contemporary Review" for November, 1931).

## INDUSTRY

through a spirit of ill-conceived emulation. According to official statistics there were in 1929 a total of 3,736 industrial establishments, with an invested capital of 40,284 million lei, and employing 201,184 workpeople. Of these firms 1391 were in the old kingdom and 1789 in the Banat and Transylvania. The continuous fall in the purchasing power of the population, the lack of adequate working capital, which forces these industries to borrow money at high rates of interest owing to the prevailing monetary stringency, the disorganization of credit, the diminution of State purchases, and the non-payment by the State for the goods ordered by it from these industrial firms, have placed most of them in jeopardy, and it is very doubtful whether they will be able to survive the present crisis unless the State intervenes further on their behalf.

The following table sets forth the data concerning the various branches of industry operating during the year 1929:

| Industry. | Number of establishments. | Capital (million lei.) | H.P. used. | Annual value of output in million lei. | Workpeople employed. |
|---|---|---|---|---|---|
| Metallurgical ... ... | 448 | 6,444 | 84,775 | 8,443 | 40,296 |
| Electrotechnical ... ... | 12 | 83 | 2,026 | 208 | 839 |
| Timber ... ... ... | 787 | 3,457 | 73,827 | 5,302 | 41,656 |
| Food and Aliments ... ... | 1,004 | 11,686 | 126,336 | 15,312 | 25,644 |
| Textile ... ... ... | 516 | 5,515 | 40,421 | 8,448 | 35,963 |
| Leather goods ... ... | 211 | 1,406 | 15,117 | 2,614 | 7,925 |
| Glassware ... ... ... | 35 | 505 | 2,500 | 602 | 4,218 |
| Building materials ... | 296 | 2,085 | 32,981 | 1,573 | 13,963 |
| Pottery ... ... ... | 32 | 119 | 683 | 104 | 834 |
| Chemical ... ... ... | 248 | 6,131 | 69,326 | 11,011 | 19,238 |
| Paper and Graphic Arts ... | 147 | 2,128 | 29,971 | 2,447 | 10,668 |

The metallurgical industries have been developed to such an extent that practically all the current implements, from pails and wire to railway locomotives and waggons, as well as agricultural machinery, are locally produced in sufficient quantities for the requirements of the local market.

315 382 southern slopes of the bend of the Carpathians, where the mountains gradually merge into the plains of Wallachia and Moldavia. About two-thirds of the production is secured from the regions of Moreni and Ochiuri, the basins of the rivers Prahova and Dombovitsa furnishing almost 90 per cent of the total yield. There are minor fields farther east in the neighbourhood of Buzau, and also in Moldavia in the region of Bacau. The main oil refineries are situated at Ploești. The capital invested in the oil industry is estimated at 11 milliard lei, 60 per cent of which is Rumanian. The number of workmen employed in the industry is about 30,000. The output of crude oil for the years 1928–30 was:

| *Year* | *Tons* | *Estimated value in lei* |
|---|---|---|
| 1928 ... | 4,282,377 ... | 7,345,923,066 |
| 1929 ... | 4,836,974 ... | 7,441,204,190 |
| 1930 ... | 5,792,311 ... | 6,552,118,582 |

About half of the yield was from oilfields owned by the State. The ratio for 1930 was 3,083,468 tons from State-owned oilfields, or 53.20 per cent, and 2,708,843 tons, or 46.80 per cent, from privately-owned oilfields. The quantities produced were distributed per region as follows: Prahova, 4,275,721 tons; Dambovița, 1,390,215 tons; Buzau, 61,225 tons; Bacau, 65,150 tons.

[471]

Of the total output for 1930, some 1,602,757 tons were consumed locally. At the end of June, 1932, it was reported that the total monthly output had attained about 543,000 tons, the average monthly production of the principal companies being as follows: Astra Romana, 109,464 tons; Steaua Romana, 83,667 tons; Concordia, 78,974 tons; Creditul Minier, 27,760 tons; Romano-Americana, 33,800 tons; Phoenix, 65,286 tons; Prahova, 20,878 tons; and Columbia, 17,564 tons.

315 484 382 Prices of petroleum products having dropped to the extent of 75 per cent since 1928, the Rumanian oil industry is passing through an era of grave depression which is causing a very serious repercussion on the whole economic life of the country, taking into account the great amount of capital in-

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435 ture of Greater Rumania. It illustrates the effects of low agricultural prices and high prices of finished goods upon the position of a predominantly peasant population, which cannot realize an adequate profit from the sale of its produce and is unable to buy manufactured goods. It is important to realize this, as it demonstrates one of the reasons for the inability of the peasants to acquire agricultural machinery and improve their methods of agricultural exploitation.

565 471 THE LAND REFORMS. By the beginning of the twentieth century the position of the Rumanian peasantry had reached a stage which could only be compared with that of Tsarist Russia before the abolition of serfdom. Over half of all the arable land was in the hands of a few thousand *boiars*. Most peasants were landless, some possessed small strips of land which were insufficient for the support of a family. Most peasants were still obliged to work for the landlords without pay, and in addition had to [427] pay taxes and other dues. In order to try and increase their income many peasants rented land from the big landowners. But as the landlord was usually the *boiar* for whom the peasant had to do forced labour and to whom he came in time of need for financial help, he soon found that he had often sold his labour power for years in advance. His indebtedness increased with surprising speed; neither his little strip of land nor, indeed, he himself was anything else than part of the *boiar's* property. The position of the peasantry grew even worse when absentee landlordism increased and great trusts managed the running of the big estates.

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This state of affairs led to the great and bloody peasant revolt of 1907 which was ruthlessly crushed by the Bratianu government with the help of troops commanded by General Averescu. Yet, even after this the rulers of Rumania were unwilling to carry out reforms which were already overdue. Only in 1917, when the position on the Rumanian front seemed completely hopeless and when the Russian Revolution found more and more adherents among the peasant soldiers, did the government of King Ferdinand decide to carry out a thorough land reform. Although this was the most far-reaching of any measures ever carried out in Rumania, it bore all the marks of a step adopted unwillingly, under the pressure of external events. Although the Bratianu government, composed of many big landowners, consented to carry out the land reform, it was violently opposed by many of the government's supporters. The reforms, as finally applied in the early nineteen-twenties in both the Old Kingdom and in the New Territories, differed considerably from the original plans of 1917. They did, however, bring about important changes. Whereas before the Great War half of all the arable land belonged to a few *boiars*, by 1930 about nine-tenths belonged to small holders and only one-tenth to big landowners.

In Bessarabia many of the big estates remained untouched; land was given to reliable farmers, Germans and Rumanian colonists, but not to the landless who needed it most. In Transylvania the land reform was used to strengthen the Rumanian as against the Magyar elements of the population. But many of the holdings remained too small to

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525 provide their holders with a fair income, and a con-
471 siderable part of the rural population remained
423 landless. Worst of all, those peasants who did obtain land were given neither implements nor sufficient financial help which could have enabled them to make a decent living. Neither of the measures which are essential to the success of peasant proprietorship —State aid in money, machinery and technical advice; or the creation of large-scale co-operative
[641] societies and banks—were carried out. Undoubtedly the extension of the franchise in 1923 to all men of 21 and the land reforms greatly strengthened the position of the peasantry in the State. But, actually, it was widespread discontent with the working of the agrarian reform that stimulated the organization of the National Peasant Party.

423 CROPS. The great devastation of Rumania during
241 the First World War and the effects of the land reform resulted in a great reduction of the country's agricultural production during the immediate post-
[439] war period.[1] Whereas the Old Kingdom alone in 1913 had grown 2,200,000 tons of wheat, of which 1,150,000 tons were exported, and over 3,100,000 tons of maize, of which 1,000,000 tons were exported, the production figures for Greater Rumania in 1921 were for wheat 2,140,000 tons, and for maize 2,810,000 tons. This great decrease is all the more striking in view of the fact that the amount of arable

[1] In Transylvania and the neighbouring territories, taken from Hungary, some of the great *latifundias* had been well and scientifically worked with modern agricultural machinery. There were some conscientious landowners among the Magyar nobility as well as absentee landlords who neglected their peasantry.

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315 in the sixteenth century when the peasants used it as lubricant and medicine and the *boiars* as fuel. In 1815 the British representative in Bucarest drew attention to the oil deposits of Muntenia, and in 1844 the first concession for their exploitation was granted by Prince Bibescu to two Russians. By 1857 the first refinery had been established in Ploesti and in the same year Bucarest became the first town whose streets were lit by oil-lamps. From that time the exploitation of Rumania's oil resources made rapid progress.

The yearly production rose from 50,000 tons in 1890 to 1,885,000 tons in 1913. The destruction of the oil wells by British engineers during the last war retarded the progress of the industry for many years. By the middle of the nineteen-twenties the pre-war record had been exceeded and production reached the record figure of over 8,500,000 tons in 1934. It decreased to about 6,250,000 tons in 1939. The estimate for 1943 was 5,000,000 tons. The export of oil and oil-products was one of the chief sources of the nation's income. The greatest quantity of oil was exported in 1936 (nearly 7,000,000 tons). The average figure was between 2,000,000 and 3,000,000 per year.

315 471 Before the Great War a considerable part of Rumania's oil industry was financed and owned by German companies. After the Peace Settlement the position changed in favour of French, American and British interests. By 1938 nine-tenths of all Rumanian oil was controlled by the British 'Royal Dutch Shell' directly or through subsidiary companies. In 1936 the published net profits of the industry amounted to 57%. Half of the 200 million dollars of foreign investments in Rumania was

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employed in the oil industry. The control of this great source of energy by British and American companies was challenged by Germany, which needed Rumania's oil for the prosecution of her imperialist aims. To-day Rumania is Germany's chief source of natural oil.

INDUSTRY AND TRADE. The industry of the Old Kingdom was hardly developed when, with the annexation of the New Territories, Rumania acquired territories comparatively rich in industrial enterprises, especially the Banat, parts of Transylvania and the Bukovina. Thereby the industrial capacity of Greater Rumania was more than double that of the Old Kingdom. Production, however, was by no means doubled. Trade and industry improved in the years 1925–9 during which considerable capital-imports were effected. The great economic crisis of the next two years hit Rumania very hard and was finally surmounted only in 1936, when the figures for production exceeded those of 1929 by 30%.

The most important Rumanian enterprises were the food, chemical, textile and metallurgical industries. The textile industry increased its output, the number of workers employed as well as the value of its production; but most branches of Rumanian industry increased only the amount and the value of their production, reducing their wage bill and the number of workers partly through the introduction of machinery.

The heavy industry, producing armaments and railway equipment, was controlled by several foreign groups, amongst them Schneider-Creusot, Skoda and Vickers. German capital was invested in the

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433 Resita works and in the Copsa-Mica concern. The
• 471 most important Rumanian group, representing both German and British interests, was that of Malaxa-Auschnitt. The centre of Rumania's heavy industry is the region around Brasov.

The chemical industry, drawing to some extent on the unexported surplus of agricultural produce, developed substantially, thanks especially to attempts to make Rumania independent of imports. This industry, too, was controlled to a great extent by foreign, chiefly German, interests.

433 The textile industry, although handicapped by old-fashioned machinery imported from Germany, was the most prosperous. Production and value of output increased, as did the number of employees, but wages decreased.

433 Rumania's total industrial production was
511 doubled in the years 1924–36, but this was not re-
435 flected by a corresponding improvement in trade or in the standard of living. The general index of wholesale prices fell by almost a third and that of agricultural produce by nearly half; the prices of manufactured goods decreased by only a little over one-sixth. By 1933 the value of exports and imports had fallen to about 25,600 million lei and was only one-third of that of all foreign trade in 1926. Real wages in the period from 1929 to 1939 fell by over one-fifth, while the cost of living in 1939 was indexed at 138 points in relation to 100 points in 1933.

652 By 1937 Rumania's national debt had reached 257 million pounds sterling of which only one-fifth was represented by internal loans. Interest on foreign loans in 1932 amounted to about one-quarter of the country's budget and in 1937 to about 16%.

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especially hard hit by this rampant corruption. The moneyed classes, on the other hand, were well satisfied with this state of affairs which guaranteed the continuance of their rule.

The position of the minorities was unenviable. In theory all non-Rumanians had the same rights and duties as the Rumanians. In practice, however, things were very different. The official language was Rumanian and anybody not able to speak Rumanian was handicapped from the beginning when dealing with the authorities. It was very difficult for members of a minority to obtain schooling in their native language, for although there were some Hungarian and German schools they had to be financed by the respective communities and the fees to be paid were high. A public career for a member of a minority was very rare indeed and non-Rumanians had always to expect unfavourable treatment at the hands of the authorities. The Jews, many of whom were denied Rumanian citizenship and had to pay from time to time for the right to live in the country, were worse off than the rest. Often in addition to being persecuted for their origin they could be victimized for having a Hungarian name and speaking German as their native language.

The mass of the Rumanians did not gain by this discrimination ostensibly made in their favour. At best the half-educated sons of peasants could secure some minor position in the State machinery.

The economic life of the country was dominated by all-powerful monopolies. The oil and heavy industries were in the hands of a few foreign and Rumanian shareholders and the enormous profits were divided between a few industrialists, ministers

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471 of State and foreign concessionaires. State-monopolies, such as the manufacture and sale of explosives, tobacco, etc., were often leased to foreign trusts. Road building, for example, was in the hands of a Swedish company. So was the manufacture of matches sold by the State. The whole telephone system was installed and operated by a subsidiary of the American financial trust of Morgans. Nine-tenths of the oil industry were in British hands, the armaments works of Transylvania were controlled by British, French, Czech and German interests. The newly developed chemical industry of the country soon passed into German hands. As for agriculture, the export of produce was effectively controlled by several banks who were partly or wholly owned by foreign financial houses. During the nineteen-thirties pharmaceutical goods were imported almost exclusively from Germany.

565 THE GOVERNMENT. The most powerful of all political parties were the Liberals who were entrenched in influential positions of the administration, the army, finance and industry. Led traditionally by a member of the Bratianu family, whose name at one time was almost synonymous with that of Rumania, the Liberal Party was able to rule the country directly or indirectly up to a very short time ago. Her adherents had very little in common with the Liberals of the West, representing, as they did, the Right Wing of the numerically weak but financially and politically powerful Rumanian bourgeoisie. An electoral law introduced by the Liberal Government in 1926 stipulated that the party which had secured 40% of the votes should obtain 60% of all parlia-

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forced into these organizations by social and economic pressure. Combatant units, armed and trained, consisted of youths who learned the Nazi doctrine in their schools. Financial assistance came from the German banks in Rumania: they supported the transactions of the 'Association for Export to Germany', which secured a virtual monopoly in the export trade of grain, cattle and pigs to Germany and Italy, as well as the hemp-growing scheme, which met with considerable success in the Banat.

Similarly the German papers published in Rumania soon passed under Nazi control. Their information was received from news agencies in Germany which also supplied them with commentaries and feature articles. Naturally the Rumanian Fascists were supported by the German-Rumanian Nazis who acted as go-betweens and agents of their masters in the Reich.[1]

The pro-Nazi Germans of Rumania who had always possessed good economic, industrial and financial connexions were able to render valuable assistance in the economic penetration of the country by German trusts. In 1933, for example, the fusion of several chemical firms in the Banat and in Wallachia brought them entirely under German control. That they produced semi-finished material for explosives enhanced their value. The iron and

[1] The outrages of the Iron Guard, such as the desecration of Jewish synagogues and cemeteries, destruction of Jewish shops, political murder and blackmail, were aided and abetted by the German Nazi agents. A series of fires and bomb-explosions in Timisoara in November 1938, as well as other terrorist acts, were committed by members of the Iron Guard jointly with some German youths who were known to the public but escaped punishment.

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steel works of Resita and Copsa Mica, with a capital of six million pounds sterling, and many other factories also passed under German control. In the fight against Franco-British and American capital in Rumania, Germany was favoured by the fact that 50% of Rumania's imports were German, and 36% of the country's exports went to Germany (1938). By 1940 the latter had reached about 70% of the total.

This underground activity of the German minority, combined with the pro-Fascist leanings of the majority of the ruling classes, who feared to lose their privileges and were only too glad to join in the Anti-Bolshevik[1] crusade, and the corruption reigning in the army and all branches of the government apparatus, sapped the strength of the country economically, politically and morally. It had become an easy prey for the imperialism of Hitler.

[1] Especially savage measures were taken against workers' and intellectuals' progressive organizations, which were made illegal and had to go underground. Their members, if caught, were court-martialled and imprisoned.

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reached the high level of 1935 and 1936,[1] but it has maintained an average of over 5,500,000 tons, of which about 3,000,000 tons have been exported, chiefly to Germany. The rest has been used by the Rumanian armed forces and war industry. As in all other occupied countries, Germany acquired all the Rumanian key industries. The *Kontinentale Oel A.G.* was the holding company for all German oil interests in Rumania. This trust controlled and regulated the output and sale of all Rumanian oil. Rumanian and French investments (by arrangements with the Vichy government) were also represented, but they were of minor importance. One of the effects of German control could be seen in the fact that whole districts, less than a hundred miles from Ploesti, suffered from a chronic shortage of lamp-oil.

All the great iron and steel works of Rumania passed under the control of the Nazi *Hermann Goering Werke*. The well-known German chemical trust *I.G. Farben* absorbed all chemical factories in Rumania and erected new ones. The use of the Rumanian economy in Germany's interests has been coupled with a very thorough financial exploitation. Credits have been granted by the Rumanian National Bank to certain enterprises, under German control, for the import of machinery from Germany. At every stage of manufacture, purchase and sale, export and import, there was a handsome profit which ultimately benefited only a small number of big shareholders, who had interests in each of the enterprises connected with the transaction. Bribes

[1] 1935: 8,376,000 tons; 1936: 8,703,000 tons.

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471 and smaller profits were the reward of Rumanian officials and business men.[1]

511 How far the natural resources of Rumania have suffered under this intensive exploitation will probably become apparent only after the war. Its effects on the people of Rumania, however, can be gauged already. The cost of living in 1941 was three times as high as in 1934, and in January 1943 it was reported to be 50% higher than one year before. These are official Rumanian figures, based on maximum prices and maximum wages which are 511 only fictitious. In fact many goods, although 465 rationed could be obtained only on the black market and at phenomenal prices. The general inflation led to a levelling-up of wages, but wages remained far behind prices. The workers, therefore, were worse off than before, although, theoretically, they obtained improved wages A Swiss report in August 1943 showed that the monthly earnings of

457 [1] In January 1944 the Rumanian Government, according to a German paper published in Rumania, 'decided to put at the disposal of the Ministry of Finance a credit of three milliard lei for a new campaign for the modernisation of petroleum installations in Rumania. The Rumanian National Bank has granted a loan of one hundred million Reichsmarks to a number of oil companies for the same purpose. This sum will be used for the import of machinery from Germany... these companies have also been put in charge of the supply of the capital with natural gas'. At about the same time one of the mouthpieces of the Nazi war economy declared quite frankly: 'The practical purpose of the Rumanian export trade policy is to ensure an adequate supply of raw materials for the home industry. In order to stimulate import the concerns in question were permitted... to open up new industries in foreign countries for the purpose of supplying raw materials and half finished goods to the vitally necessary war industries in Rumania.

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In 1940 an economic agreement was signed between the two countries by which in exchange for raw materials a ten-year plan for the development of Rumanian economy was formed. Germany agreed to the following main conditions —

(1) The granting of extensive long-term credits.

(2) The supply of tools and machines for agricultural development.

(3) The provision of technical and financial aid for industry.

(4) The provision of extensive supplies for the development of the transport system.

(5) To put technical experts at Rumania's disposal.

(6) To make capital available for the development of industry and the banking system.

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Germany has exploited Rumania's dependence on her to the full by providing the minimum of goods so that she owes her an ever-increasing sum in the clearing. German financial interests have gained tremendous impetus since the removal of British and American competition together with the acquisition of the actual interests of occupied countries such as France, Holland and Czechoslovakia. To cite the most important example, in the oil industry German capital has increased from 0.5 per cent. of total investments in 1939 to about 38 per cent. in 1942, while in the heavy industry the Hermann Goeringwerke have achieved a footing in the main engineering firms of Resita and Malaxa, as well as in the aircraft industry and in the shipbuilding yards at Galati. The motor-vehicle assembly industry is almost entirely in the hands of the German companies, and German capital is to be found in the banks, in the timber and textile industries, in a number of transport and trading companies, and behind the attempted expansion of the mineral resources.

## ITALIAN PENETRATION

There is also some considerable Italian financial penetration in Rumanian industry, though on nothing like the same scale as German; it is mainly confined to the oil, building, timber and textile industries and to various cereal export companies.

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## A. PRE-WAR CONDITIONS

### 1. General

241 Agriculture occupies about 80 per cent. of the population of Rumania and contributes the greater part of the national income; but owing to the importance of the country's mineral-oil [439] production, exports of agricultural products accounted for rather less than half of total exports by value, in the immediate pre-war years.

Total agricultural production, even if there were no exports, would fall seriously short of the real [146] food needs of the country. The poorest are actually underfed, while the majority of the remainder subsist on a diet which, though adequate in quantity, is seriously deficient in quality and nutritional elements.

In her farming Rumania suffers from two inter-[161] related difficulties: rural over-population and low food output per acre. There are 16 agricultural workers per 100 acres of farm land, compared with 6 in Denmark and 3 in Britain. Another aspect of this is the extremely small size of most of the farms—75 per cent. of them are less than 5 hectares (12 acres) in extent. Because there is not enough land to go round, most farming families have to eke out a living on holdings which, under any system of general farming would be too small to provide an adequate income.

The position would be less serious if a high per-acre food output were achieved. But in fact the Rumanian output per acre is barely one-quarter of that obtained in countries like Belgium and the Netherlands. Rumania pivots her farming on wheat and maize production but, owing to the extensive methods practised, the few livestock kept, and other reasons, per acre yields are among the lowest in Europe.

It is the over-population and land shortage which are largely responsible for agriculture remaining so backward. Having insufficient land the peasant does not produce much for sale, and so cannot afford to purchase fertilisers, good quality seed or better implements. Nor can he spare many acres for fodder crops, since the bulk of his land is needed to grow the food his family eats. And as he cannot buy fodder, he cannot keep many animals. Thus, while there is some scope for agricultural improvements which would ameliorate the peasants' lot, the pre-requisite of farming progress is to find alternative occupations for the surplus population.

423 The system of land tenure is peasant proprietor-●471 ship. This was attained under the Land Reform carried through after the first World War. The effect of this was to divide up and transfer to peasant ownership a large area of land formerly worked in big estates. This revolution in land tenure provided a solution for a long-standing social problem, but its effects on production were unfavourable. The large estates had been run by trained managers with relatively advanced methods and equipment. Their transfer to ill-equipped, backward and uneducated peasants was followed, for a time at least, by a decline in yields, and consequently in total production and exports.

241 Little progress was made in the period between the two wars in remedying the disadvantages of uneconomic farm sizes and in raising the low standards of farming. For lack of education the

241 the peasants and the reduced 1942 sowings both
656 of grain and of sugar-beet indicated continued
435 dissatisfaction. Finally, by the spring of 1943 a wiser ratio was reached, agricultural prices being four times as high as in 1939 and wholesale prices in general three and a half times as high. Nevertheless this very considerable measure of inflation [458] has shaken public confidence in the value of money so that peasants increasingly resort to barter transactions.

[655] In the hope of obtaining better control over grain supplies the Government in the autumn of 1941 nationalised the grain trade, later they relaxed this to the extent of leaving the export business to a few selected firms and the internal collection to the Army and to the National Institute of Co-operation. This body handled the pre-war grain marketing scheme, and their [563] activities—because of the expulsion of Jews from wholesale and retail trade—have recently developed rapidly in the supply of seeds to peasants (80,000 tons of seed distributed in 1942) as well as consumers goods to peasants and townspeople. But it still proved difficult to extract enough food from the peasants to feed the towns. For the 1943 harvest detailed regulations were made concerning the quantities the peasant might keep for seed, for his family and for his animals, and threshing operations were subjected to inspection. Yet these rules could not in practice be administered.

423 It is now generally agreed in Rumania that the
471 smallness of the holdings has been a principal obstacle to effective organisation of agriculture in war-time, and that a change to larger units of production is needed. Any approach to collectivisation on the Soviet model however, would be regarded as contradictory to the land reform policy and a threat to the Rumanian State. The official policy, though it has not yet taken its final form, is to maintain private property but to proceed no further with expropriation and division of large estates and to maintain existing medium holdings by prohibiting their sub-division for inheritance or other reasons. Schemes for the consolidation of strips are also contemplated for a more opportune moment. Further, in order to
474 increase production and to improve the peasants' methods and standards of life, communal farming associations, known as *obştii*, are to be formed. In these associations farming equipment is to be pooled so that the small-holder would have the same resources as the large farmer. Each *obştie* is to embrace a village and perform all the functions of a co-operative including joint purchase and sale, use of breeding animals, processing of crops, etc. Villages which are prepared to form themselves into *obştii* and to undertake to work the land according to State directions, are promised tractors, seed and breeding stock without payment. In this way it is hoped that some of the advantages of collectivisation may be achieved while retaining those of individual ownership. But, unless accompanied by far-reaching industrial development, the plan can but aggravate rural unemployment. It is not known how this innovation has been received by the peasants. It was reported in April 1943 that 270 of these communal associations had been formed—an insignificant number—and it is believed that the Government is allocating to them some of the tractors imported from Germany in the war years.*

241 The success of the *obştii* plan, and indeed of any plan for up-grading Rumanian agriculture, depends

* In June, 1943 a temporary ban was placed on the formation of any new *obştie*, because there was insufficient agricultural machinery to supply to them.

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sentative of all democratic elements of the population." Later, 648
at the Moscow Conference, the Western powers declared that 642
they would believe such a government existed as soon as repre-
sentatives of two political parties other than the Rumanian 666
Workers' Party had been named to ministerial posts, and as soon as satisfactory guarantees had been given that freedom of speech and assembly as well as the right to vote without constraint had been assured. Dr. Groza complied by appointing the two desired ministers to the Cabinet without portfolio and by announcing that free elections would be held soon; but, as was to be anticipated in view of the fact that the Russian Army held the country in an iron grip, the Rumanian Workers' Party received 90-odd per cent of the vote. The ministers without portfolio promptly resigned, and there was nothing the Western powers could do about it save to register an emphatic protest. This they did in language suitably designed for the occasion.

The elections referred to were held on November 19, 1946. [687]
Almost precisely a year later the leader of the principal opposition party, Dr. Juliu Maniu, was sentenced to life imprisonment for high treason. Unquestionably this able and farsighted man, who had served the government and the people of Rumania well over many years and had been identified with every movement for reform and justice, was the foremost of the nation's citizens. King Michael abdicated on December 30 of [642]
the same year and fled from his native land. Thereupon the "People's Republic" was proclaimed, and every source of potential opposition to it was ferreted out and suppressed. A Constitution of the usual kind was adopted on April 13, 1948. Now no obstacle barred the way for putting the Soviet paradise [47] •
plan into effect. The principal productive enterprises were declared the property of the State, and this likewise became the sole arbiter of the educational system. Collective farming was introduced. A novelty was that new elections were held during